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(1) US Embassy unit chief states, "No decision yet on Kanoya" as destination for refueling tankers, revealing different perception than that of Japanese government

MINAMI-NIPPON SHIMBUN (Page 27) (Excerpt)

February 8, 2006

Kevin Maher, the security unit chief of the US Embassy in Japan who is responsible for US forces Japan realignment affairs, responded to news coverage by this newspaper on Feb. 7 in Fukuoka City. He made this remark concerning the destination for the relocation of KC-130 air-refueling tankers: "The US and Japanese governments, as well as the US government and the US military are discussing which would be better, the Maritime Self-Defense Force's Kanoya Air Base or Iwakuni Air Station (Yamaguchi Prefecture). A decision has yet to be made." His answer revealed a different view than that of the Japanese government, which is trying to persuade the local community, premised on a move to Kanoya.

(2) Prime Minister Koizumi taking tough stand in debate on social divide, stressing good aspect of "equal opportunity"; Some in ruling camp concerned about excessive reforms; Debate could have impact on LDP presidential race

MAINICHI (Page 5) (Full)
February 8, 2006

The question of whether the Koizumi reform drive may have expanded the "social divide" across Japan has now become a main issue in the ongoing regular Diet session. Seiji Maehara, president of the main opposition party Minshuto (Democratic Party of Japan), questioned Prime Minister Junichiro Koizumi about his views on the social divide at a House of Representatives Budget Committee session yesterday, saying, "Signs of social disparity remain strong." The prime minister initially denied that social disparity was widening in the country, but he has not denied such a social divide exists, in an attempt to prevent the opposition

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from getting further into the adverse effects of his reform initiative. He is now gradually underscoring the positive aspects of "equal opportunity." Voices concerned about his "excessive" reforms are now often heard in the ruling camp. Therefore, the social-divide issue will likely have an impact on the September LDP presidential race.

Maehara questioned, "How do you deal with the situation where social disparity is spreading across even children in society?"

Koizumi replied: "There is no need to be pessimistic about those performing poorly in school. However, I would like to give opportunities to those with a desire to study."

Maehara: "You lack prudence in your answer."

Although Maehara tried to engage in heated debate with Koizumi on the social-divide issue, Koizumi did not give him direct answers but keep using the word "opportunity." He responded to Maehara's question by saying, "I have said that opportunities should be provided." He recently stated at the Diet, "I don't think that having such a gap is a bad thing." He is concerned that the social divide issue would highlight the negative effects of his deregulatory measures, and as a result, that his reform drive would come under criticism. He stressed: "We should stop trying to drag down capable people." What he meant was that the social divide brought about by deregulation should not be dismissed, but providing opportunities is even more important. LDP Policy Research Council Chairman Hidenao Nakagawa, a supporter for Koizumi, stated in a Lower House Budget Committee meeting on Feb. 6, "In order to correct the widening social gap, stopping the reforms would be the silliest thing to do."

Maehara, however, linked the bid-rigging scandal involving the Defense Facilities Administration Agency (DFAA) to the issue of the widening social gap, posing this question: "The way money is being used is wrong. Too much tax money is spent for public works projects, but investment in human resources remains small." Koizumi denied the fact that poverty is increasing. Maehara has assumed that if a mood spreads that Koizumi is conducting politics unaware of the social reality, public support for

Koizumi would decrease. In the committee meeting on the 6th, former labor minister Bunmei Ibuki indirectly warned Koizumi: "Unless we use (market principles) consciously and modestly, problems like a social divide will unavoidably emerge."

Given the circumstance, the widening gap will likely become an important issue in the September LDP presidential race. The presidential election is a good opportunity to sum up the Koizumi structural reform. Post-Koizumi contenders will have to decide on which aspect -- the positive or negative effects of the reforms -- to place emphasis on in their campaigns.

Foreign Minister Taro Aso is concerned about the words "social divide" having wings. He sought to check the mood denying the reforms in a press conference in January, saying, "I wonder whether the social disparity is really widening. Is it that serious? It is dangerous to talk in that sense." Chief Cabinet Secretary Shinzo Abe said, "We will not walk on a path that will

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lead to a Japan where the law of jungle prevails," but he stressed the achievements of the reforms.

Finance Minister Sadakazu Tanigaki, meanwhile, pointed out the

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importance of creating a society that supports families and communities. He sounded the alarm the tendency of dividing society in two. Former Chief Cabinet Secretary Takeo Fukuda also expressed his concern about the widening gap, noting, "We must pay attention to the regional gaps."

Senior LDP House of Councillors members, including Chairman Mikio Aoki, are becoming aware of the social divide issue with next year's Upper House elections in mind. The issue will likely have an impact on voting trends in the presidential election.

(3) Economic growth argument intensifying

ASAHI (Page 2) (Slightly abridged)
February 7, 2006

LDP counters pursuit by opposition camp: "A social divide has emerged as a result of Koizumi reform drive" - "Economic expansion is a good medicine"

Taking advantage of the Livedoor incident, the opposition camp is now intensifying its pursuit of the emergence of a social divide, calling it the shady by-product of the Koizumi reform initiative. At the Lower House Budget Committee session in the Diet yesterday, Hidenao Nakagawa, chairman of the Liberal Democratic Party (LDP) Policy Research Council, whose pet argument is that a social divide can be prevented by achieving economic growth through reform, opened counter-offensives against the opposition bloc. Nakagawa, who calls himself a growth chairman, blasted the opposition camp: "It is important to make Japan out as a winner on the whole. The opposition parties are implicitly calling for a big government. There has now appeared the possibility of their pulling Japan back into the darkness and making it a loser in the world."

He noted, "From the perspective of correcting the social divide, it is most foolish to set back the hands of the clock by stopping our reform efforts." As a reason for the need to speed up the Koizumi reform drive, he once again stressed, "Companies and people with growth potential will serve as an engine and pull the Japanese economy as a whole, as the reform progresses."

When the prime minister fell in step with him, replying, "Our target is to attain a society where economic growth can be expected in order to make all people affluent." Proclaiming a goal of achieving a nominal economic growth rate of 4%, Nakagawa categorically said, "It is true that economic growth is a good medicine for the correction of a social divide."

With the emergence of a set of three blunders, including the

earthquake-proof data falsification scam, the government and the LDP are now acting on the defensive. A Diet reply given by Nakagawa over the US beef import issue has even stalled debates. As fiscal 2006 budget bill deliberations just started that day, both the government and the LDP were frantic about solidifying their footing.

Availing himself of his display of closeness to the prime minister, Nakagawa later on the evening of the same day indicated his view on qualifications required from post-Koizumi contenders, "A person who supports a policy of attaining a nominal growth rate of 4% would be desirable as a candidate to succeed the prime minister."

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Deep gap within ruling camp: "Attaining a nominal growth rate of 4-5% is possible" - "Steady efforts for fiscal reconstruction are needed"

However, the views of the government and the LDP on the issue are not unanimous.

There is a rift over the issue in terms of whether it is possible to achieve a nominal growth rate of 4-5% and whether there are any harmful effects in such a policy, if attained. There is no objection to the argument that it is important to raise a potential growth rate, the barometer for the real potential of the Japanese economy. However, the problem is inflation rates.

During a meeting of the Council on Economic and Fiscal Policy (CEFP), held on Feb. 1, a fierce debate took place between Internal Affairs and Communications Minister Heizo Takenaka, who is close to Nakagawa, and Hiroshi Yoshikawa, professor at a Tokyo University graduate school, and a CEFP member, who supports Kaoru Yosano, State Minister in charge of Economic and Fiscal Policy.

Takenaka: "In reconstructing national finances, it is a steady premise to target a nominal growth rate of 4% with a potential growth rate at 2% and inflation rate at 2%."

Yoshikawa: "Raising a nominal growth rate too high is an inflation policy."

A projected nominal growth rate, in particular, an inflation rate, will affect fundamental issues, such as fiscal reconstruction measures, including a hike in the consumption tax, and a timeline for the Bank of Japan (BOJ) ending its quantitative easing policy.

Takenaka and Nakagawa insist that a target for a nominal growth rate be set, based on a somewhat high potential growth rate, expected to occur as a result of structural reforms, and a somewhat high inflation rate. They claim that a nominal growth rate, which determines tax revenues, should be set, taking into account a situation in which it exceeds a long-term interest rate, which is directly linked to government bond interest payment costs and they believe that it would then be possible to reduce the margin of a possible tax hike. They expect the BOJ to constrain a long-term interest rate by such means as continuing the monetary easing policy, such as the postponement of a timeline for removing the quantitative easing policy and introducing an inflation target after the removal of that policy.

Yosano, however, told reporters after yesterday's cabinet meeting, "It is all right to challenge a high growth rate, but it would be a more responsible approach if fiscal reconstruction efforts are made based on a steady premise." He thus again criticized the Takenaka-Nakagawa policy. His stance of estimating a long-term interest rate higher than a nominal growth rate, which, therefore, necessitates a substantial tax hike remains unchanged.

Finance Minister Tanigaki during the CEFP meeting backed Yosano's position on the raising of an inflation target, by pointing out, "Tax revenues are expected to increase, but at the same time,

expenditures, such as government bond interest payments and social security payments, which will likely increase in

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conjunction with price rises, will increase."

An argument calling for reforming expenditures and revenues as a package is gaining ground among government officials, looking toward June, when the government is expected to come up with a range of options for fiscal reconstruction measures, including a tax hike. On the other hand, the BOJ, which wants to lift the quantitative easing policy as early as this spring, is taking precautions against a call for introducing an inflation target with Vice Governor Toshiro Muto noting, "In financial monetary policy, it is difficult to clearly set an inflation rate to be aimed for." A settlement line in the growth rate argument will likely determine the fate of the fiscal and monetary policy as well.

(4) Retired DFAA officials land jobs in 60 construction firms; 90% of contracts for large projects awarded to firms employing ex-officials

YOMIURI (Page 39) (Slightly abridged)
February 7, 2006

A total of 93 former Defense Facilities Administration Agency (DFAA) officials have landed jobs in at least 60 construction companies as of last November, according to the results of an investigation by the Yomiuri Shimbun. A number of these companies were allegedly involved in bid rigging for air-conditioning projects ordered by the agency. Of these firms, 15 have been investigated by the special investigation squad of the Tokyo District Public Prosecutors Office. The investigation revealed that the awarding of contracts is closely tied to amakudari, a practice in which bureaucrats land lucrative jobs in the private sector after retirement.

The Yomiuri investigation targeted maritime construction firms, general contractors, and their affiliates, using a list of members of a group composed mainly of former agency officials, including former Self-Defense Force officers.

Four companies have the largest number of ex-DFAA officials. The four are Penta-Ocean Construction Co., based in Bunkyo Ward, Tokyo; Wakachiku Construction Co. in Kitakyushu; and two affiliates of Kajima Corp., based in Minato Ward. The companies have employed three retired DFAA officials each. Another 25 firms, including Toa Corp. and Maeda Corp., both in Chiyoda Ward, and Nissan Rinkai Construction Co. in Minato Ward, have hired two ex-agency officials each. The remaining 31 firms, including Konoike Construction Co. in Osaka, have one former official each.

Since Jan. 31, prosecutors have raided about 20 companies, including leading general contractors. They found that 15 of the firms have offered high posts to former DFAA officials.

Of the leading general contractors subjected to the prosecutors' probe, three firms - Taisei Corp. in Shinjuku Ward, as well as Shimizu Corp. and Obayashi Corp., both in Minato Ward - have no former agency officials on board, but their subsidiaries or affiliates have hired four ex-officials.

Of the 60 firms employing amakudari, 54 received between one and seven orders, including contracts awarded to joint ventures, for construction or engineering projects placed by the agency's 11 branches nationwide during the period between April 2004 and

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December of last year. In the case of a large-scale project worth more than 1 billion yen, 19 of the 21 projects were awarded to companies that have employed ex-officials. Of them, bidding was held for 18 projects. Three contracts were concluded for about 99% of the target price, while five were awarded for 98%. The

average rate was 97.63%.

Former DFAA Technical Councillor Takayoshi Kawano, 57, and two other agency officials were arrested on suspicion of leading bid rigging for three air-conditioning projects. Prosecutors found that six ex-officials have been given executive posts at four of the nine successful bidders for these projects over the last decade.

(5) Political insights from Hiroshi Hoshi - Koizumi administration now entering terminal stage; Was reform a whim?

ASAHI (Page 15) (Abridged)
February 7, 2006

By Hiroshi Hoshi, senior staff writer

My job is to get lawmakers and bureaucrats to talk about their real feelings. Some days ago, I met several members of the ruling coalition leadership (some from the Liberal Democratic Party and the rest from the New Komeito). One of them was bold enough to make this comment: "The administration is slipping away. It won't be able to revive its power."

Backed by public support, Prime Minister Koizumi has kept his administration running smoothly for a long time, but his power seems to be declining.

There are a number of symptoms. One is the case of Livedoor Co., which is being investigated by the Tokyo District Public Prosecutors Office. A government economic agency official offered an interesting comment:

"Many lawmakers and bureaucrats considered former Livedoor President Horie's way of doing business to be risky. But there was no one who was brave enough to say something to the prime minister, because Horie was touted as a 'child of the Koizumi reforms.'"

Regarding the US beef issue, a lawmaker affiliated with farm organizations told me:

"Japan-US ties are the key to the Koizumi administration. Given that President Bush urged Prime Minister Koizumi to resume beef imports, neither lawmakers nor bureaucrats could directly call on the prime minister to be cautious about resuming imports."

Immediately after a new cabinet comes into existence, it receives a lot of advice, given in consideration of the future of the cabinet or out of the political calculation to get a good post. The purposes differ. There may be advice that the administration does not want to hear. But the longer an administration stays in power, the fewer people there are who can provide it with candid advice, leaving it instead only receiving good reports. Koichi Kato has pointed out, "The Koizumi administration has suffered from what is called the 'Kantei disease,' which prevents an administration from listening to critical views." Kato's analysis is not an exaggeration.

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With his time in office nearing an end, it is natural that Koizumi cannot keep the same grip over the LDP as he did before. Koizumi aims to get a revision to the Imperial House Law enacted during the current Diet session, but objections are being openly raised by some LDP members. More than 30% of the LDP lawmakers are reportedly to have signed a statement opposing a revision that would allow an emperor from the female line of the imperial family to ascend to the throne.

Turning my eye to the Diet, I see only a few LDP legislators busying bargaining with opposition party members. A mainstay lawmaker revealed his real feelings to me: "There won't be another cabinet reshuffle under Koizumi. Working hard in dealing with opposition parties is useless, given that there is no possibility of being chosen to a cabinet post."

The right to dissolve the Lower House, the right to choose party executives and cabinet members, and the right to draft a budget bill are the three important rights of the prime minister. So a general rule for political watchers is to pay attention to how and when the prime minister exercise these three rights while in office. Koizumi exercised all three over the past six months. This fact, too, is a symptom that his administration is in its terminal stage.

The Koizumi administration will mark its fifth anniversary in April. It has done a good job, for instance, in the area of disposing of bad loans. The concept of "no growth without structural reform" has resonated across the country. But many corrupt structures have been left in place.

One of them is the recently exposed bureaucrat-led bid-rigging scandal involving the Defense Facilities Administration Agency (DFAA).

The Koizumi reforms have been promoted under such banners as a shift to a small government and from the public sector to the private sector. But Koizumi has not made an effort to sketch out an overall picture of his reforms. He has focused on the areas he has a strong interest in, for example, postal privatization. In this sense, his reform drive may be described as whimsical.

It is not too late and would actually be advisable to create a "Koizumi manifesto" now to spell out the significance and goals of his reforms.

(6) Children in Tokyo go to bed and get up earlier but addicted to TV, according to surveys in five Asian cities

SANEKI (Page 1) (Full)
February 8, 2006

Children in Tokyo go to bed and get up earlier than those in other Asian cities, but they are addicted to television. Benesse Education Research and Development Center presented this result of a survey of children in Tokyo, Seoul, Beijing, Shanghai, and Taipei to assess their daily lives. The education think-tank based in Tokyo also found that more parents or guardians in Tokyo than in the other cities wanted to see their children grow into "an adult who contributes to society" and "an adult who is respected by others," while they also hope they will grow into "an adult who take good care of friends and family."

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What type of person parents expect to see children become

%
Take care of friends
Don't bother others
Take care of family
Capable worker
Respected by others
Contribute to society
Display leadership

Tokyo	74.5	71.0	69.7	20.1	12.0	11.1	6.1
Seoul	14.3	24.7	69.2	21.2	28.3	18.7	46.8
Beijing	14.2	4.9	71.8	46.9	45.5	27.6	15.5
Shanghai	11.3	4.6	75.7	39.0	43.0	23.1	25.6
Taipei	13.9	25.1	84.1	48.9	23.2	26.7	22.4

The surveys were conducted by direct interview with about 6,000 parents or guardians of young children aged between three and six in the five cities. Those who replied that their child or children "go to bed before 9:00 p.m." accounted for 75.8% in Tokyo and 79.5% in Shanghai, but only 36.3% in Seoul and 26.4% in Taipei. Those who said, "They get up before 7:00 a.m." made up 75.6% in Tokyo, 95.9% in Beijing, and 89.4% in Shanghai, but 48.2% in Seoul and 56.1% in Taiwan. Regarding sleeping hours, the average hours were 10 hours and 6 minutes in Tokyo. In the other

cities, the average time was less than 10 hours.

On TV viewing, the reply "watch TV almost everyday" accounted for 94.6% in Tokyo, followed by 79.2% in Seoul, 78.4% in Taiwan, 74.3% in Beijing, and 64.3% in Shanghai. Asked about the average hours of watching TV a day, they were 3 hours and 43 minutes in Tokyo, also longer than in any other cities. In response to questions regarding the use of personal computers, 4.3% of respondents in Tokyo replied either "use it almost everyday" or "three or four times a day." This figure is remarkably low, compared with the 40% in Seoul. Concerning extra lessons, the survey showed that more than 50% of the children in all the five cities take some extra lessons. In particular, English conversation lessons are popular, and those attending such classes account for 17.8% in Tokyo and 11.2% in Seoul.

Asked "what type of person you expect to see your children become in the future," more than two-thirds guardians in all the five cities picked "a person who takes good care of family." Beside this reply, 74.5% in Tokyo also cited, "a person who takes good care of friends," and 71% said: "A person who do not bother others."

The reply that "capable worker" made up 20.1% in Tokyo, 46.9% in Beijing, and 48.9% in Taipei. But those who picked this reply in Seoul accounted for a robust 46.8 % .

Hours of watching TV, video or DVD a day

Tokyo	3 hrs & 43'
Seoul	2 hrs & 34'
Beijing	1 hr & 46'
Shanghai	1 hr & 43'
Taipei	2 hrs & 50'

SCHIEFFER